

**CITY COUNCIL AUDIT COMMITTEE MEETING  
MINUTES**

**WEDNESDAY, MAY 25, 2011**

**10:30 AM**

**MUNICIPAL PLAZA ROOM "C"**

Committee Present:	Councilmember Philip Cortez, <i>District 4, Chair</i> Councilmember Jennifer V. Ramos, <i>District 3</i> Councilmember W. Reed Williams, <i>District 8</i> Stanley Blend, <i>Oppenheimer Blend Law Firm</i>
Committee Absent:	None
Staff Present:	Sheryl Sculley, <i>City Manager</i> ; Erik Walsh, <i>Assistant City Manager</i> ; T.C. Broadnax, <i>Assistant City Manager</i> ; Leticia Vacek, <i>City Clerk</i> ; Kevin Barthold, <i>Acting City Auditor</i> ; Michael Bernard, <i>City Attorney</i> ; Ben Gorzell, <i>Chief Financial Officer</i> ; William McManus, <i>Chief of Police</i> ; Maria Villagomez, <i>Office of Management &amp; Budget Director</i> ; Jed Maebius, <i>Office of the Mayor</i> ; Brian Williams, <i>Audit Manager</i> ; Mark Bigler, <i>Audit Manager</i> ; Andre DeLeon, <i>Audit Manager</i> ; Phil Gaddy, <i>Auditor</i> ; Bernadette McKay, <i>Deputy City Attorney</i> ; Chuck Weir, <i>Assistant City Attorney</i> ; Ray Rodriguez, <i>Assistant City Attorney</i> ; Brandon Smith, <i>Office of the City Clerk</i>
Others Present:	Eric Wilhite, <i>Texas Towing</i> ; Jeff Kothman, <i>TTC</i>

**CALL TO ORDER**

Councilmember Ramos called the meeting to order.

**I. Approval of minutes from the April 6, 2011 meeting**

Councilmember Williams moved to approve the meeting minutes of April 6, 2011. Mr. Blend seconded the motion. Motion carried unanimously by those present.

**II. Items Requiring Individual Briefing(s)**

Presented by Kevin Barthold, Acting City Auditor

**A. Final reports to be discussed**

**i. Project No. AU10-003 Audit of Alarm Permit and Service Fees**

Kevin Barthold reported that adequate controls were not in place to appropriately develop, bill and collect alarm permit and false alarm service fees. He outlined the audit results as follows:

- ✦ Approximately \$200,000 in false fire alarm service fees were not billed to the permit holders

- ✚ Approximately \$123,000 in permit and service fee revenue was not realized due to untimely updating of new fee rates
- ✚ The AIO did not timely inform existing permit holders of permit fees
- ✚ There were inadequate controls over cash holding, most of which were corrected during the audit

Chairman Cortez entered the meeting at this time.

Mr. Barthold recommended that the San Antonio Police Chief:

- ✚ Develop alarm permit and revenue fee rates using a comprehensive process
- ✚ Develop a process to ensure the SAPD's permitting system and forms are timely updated after City Council approves new alarm permit fees.
- ✚ Determine a process to enable billing for excessive false fire alarm fees
- ✚ Begin billing and collection of past due fees
- ✚ Ensure that staff complies with Administrative Directive 8.1 Cash Handling Procedures

Erik Walsh reported that many of the audit conclusions outlined had been corrected due to the automation of the Alarm Management System. He reported that a Request for Proposal (RFP) was being developed to determine the cost and feasibility of outsourcing all Alarm Permit functions. He stated that discussions were being conducted with the Alarm Industry regarding the Alarm Permit Ordinance to allow for billing and collection of fees to be provided through the Alarm Industry.

In response to Councilmember Ramos, Mr. Walsh responded that the purpose of the RFP was to determine the cost and benefits of outsourcing in comparison the current function. He stated that the goal was to: make billing and collection easier; allow the Alarm Industry access, update the system; and impact the response to false alarms. Regarding fire alarm billing; it has had been corrected and now back on track. Councilmember Williams expressed concern regarding fire alarms and noted the need for clarification in terminology between commercial and residential.

Councilmember Williams requested that administrative functions be re-evaluated in a follow-up audit and encouraged staff to continue working with the Alarm Industry. He stated that it must be clear what the alarm permit fee would pay for and noted that the fee was not intended to fund alarm response costs. Councilmember Williams moved to accept the audit and requested a follow-up audit. Councilmember Ramos seconded the motion. Motion carried unanimously.

#### **ii. Project No. AU10-015 Audit of Municipal Wrecker Service Contract**

Phil Gaddy reported that overall, the four towing companies complied with the contract requirements and in most cases, the companies met the 30-minute response time 98 percent of the time. He stated that the companies could improve their compliance noting the following: 1) Companies used unauthorized/unlicensed towing drivers and uninspected tow trucks; and 2) Two companies did not provide documentation supporting all required insurance coverage. He added that SAPD could improve monitoring of contract performance and detailed audit conclusions as follows:

- ✚ SAPD did not conduct a sufficient number of tow truck inspections
- ✚ SAPD personnel did not document results of violation appeals or details of regular monthly meetings with the four towing companies
- ✚ SAPD twice requested (and never received) a written legal opinion from the City Attorney's Office that was needed to provide specific legal support for decisions made regarding the use of tow truck drivers with alleged criminal backgrounds

Mr. Gaddy indicated that SAPD developed a positive corrective action plan. Additionally, he reported that the use of towing companies to provide no-cost tows for drivable vehicles not affecting public safety may be beyond the intent outlined to the City Council.

Mr. Walsh clarified that SAPD had been conducting and documenting inspections and that recommendations from the Auditor's Office had improved those efforts. He also indicated that staff has resolved the issue regarding movement of city/fleet vehicles.

Councilmember Ramos asked of the terms of the towing contracts. Mr. Rosenberry responded that Texas Towing had the shortest contract scheduled for renewal before November, 2011 with a provision for a one-year renewal. He stated that the remaining contracts were for seven years with a provision for one-year renewals. He noted that those contracts were scheduled for review in two years.

Councilmember Ramos moved to accept the audit as presented by staff. Councilmember Williams seconded the motion. Motion carried unanimously.

### iii. **Project No. AU10-006 Audit of City South Management Authority**

Brian Williams reported that oversight of the City South Initiative can be improved and outlined the following observations:

- ✚ Community indicators established in the City South Community Plan were not properly monitored
- ✚ Internal performance measures were not established to track City efforts and resources used to support the City South Initiative
- ✚ An adequate reporting process of the progress towards City South goals and objectives does not exist

Mr. Williams stated that City South Management Authority (CMSA) expenditures were appropriate and properly authorized. He outlined staff recommendations to the Planning and Community Development Department Director.

Councilmember Ramos spoke in support of making a positive change in the area and suggested consideration of seeking additional funding from Bexar County. Councilmember Ramos moved to accept the audit as presented by staff. Mr. Blend seconded the motion. Motion carried unanimously.

## B. FY 2011 Audit Plan Status Update

Mr. Barthold reported that three audit reports had been issued bringing the total number of audit reports issued this fiscal year to 12. He informed the Committee that a Judge's Order had been received on April 18, 2011 for Time Warner to comply with the City's request for information and that they had until June, 2011 to comply. In response to Chairman Cortez, it was reported that the Time Warner Cable Audit has been in progress for three years.

Councilmember Williams asked of any audits of concern. Mr. Barthold cited the following audits: a) Purchasing Audit with the Office Depot Supply Contract; b) Fire Payroll Audit; c) Purchasing Audit; and d) Accounts Payable Audit. He stated the he anticipated completion of those audits in the very near future. He noted that great progress had been accomplished in completing carry-over audits from the previous fiscal year. In response to Councilmember Williams, Mr. Barthold replied that there would be an Audit Plan completed for approval concurrent with the Budget Process. He noted that a draft would be presented to the Committee in September, 2011.

## III. Executive Session

Chairman Cortez recessed the meeting into Executive Session at 11:24 a.m. He reconvened the meeting at 11:42 a.m. and announced that no action had been taken.

## IV. Consideration of items for future meetings

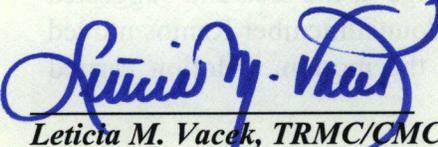
- A. Next Meeting Date: To be determined after the 2011 Councilmembers take office and Mayor Castro determines the new members.

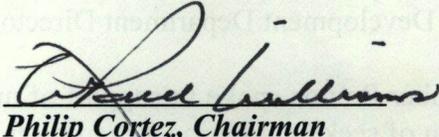
Councilmember Williams thanked Chairman Cortez for his work as Chair and expressed his appreciation for his leadership. Mr. Blend acknowledged Chairman Cortez for his great leadership. Mr. Barthold thanked Chairman Cortez for the opportunities provided him while serving as Acting City Auditor. Councilmember Ramos thanked Chairman Cortez for the service, friendship, and leadership.

## V. Adjourn

There being no further discussion, the meeting was adjourned at 11:50 a.m.

ATTEST:

  
Leticia M. Vacek, TRMC/OMC  
City Clerk

  
Philip Cortez, Chairman